

DEPARTMENT OF WATER RESOURCES

1416 NINTH STREET, P.O. BOX 942836
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JAN 26 2012

To: Distribution List

Assembly Bill X1 1 (Chapter 4, Statutes of 2001), among other things, established Section 27 of the California Water Code, authorized the Department of Water Resources (DWR) to enter into long-term contracts with power suppliers, authorized DWR to issue revenue bonds, and required DWR to make quarterly and annual reports to the Governor and the Legislature regarding California Energy Resources Scheduling Division's (CERS) activities. The accompanying report contains results of operating activities with detail on remittance revenues, long-term power contract and administrative expenditures, and CERS' financial position as of September 30, 2011.

If you have any questions, please contact me at (916) 653-7007 or your staff may contact Gurdip Rehal, Acting Chief, Financial Management Office, at (916) 574-1299.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark W. Cowin".

Mark W. Cowin
Director

Attachments

Distribution List

Electronic copy of one-page summary distributed to all members of the Legislature

Mr. Gregory P. Schmidt
Secretary of the Senate
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Sacramento, California 95814

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Sacramento, California 95814

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Attention: Diane Anderson

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Governor's Office

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California Natural Resources Agency
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**Report to the Legislature
Assembly Bill X1 1, Chapter 4, Statutes of 2001
Activities and Expenditures for Quarter Ended September 30, 2011**

Assembly Bill X1 1 (Chapter 4, Statutes of 2001), among other things, established Section 27 of the California Water Code, authorized the Department of Water Resources (DWR) to enter into long-term contracts with power generators, created the Power Supply Revenue Bond program, and required DWR to make quarterly and annual reports to the Governor and the Legislature regarding California Energy Resources Scheduling Division's (CERS) activities.

CERS purchases power under the terms of its existing contracts, all of which were entered into prior to January 1, 2003. The scheduling, dispatch and certain other administrative functions for the existing contracts are managed by the investor owned utilities. CERS continues to have financial and legal responsibility for its contract portfolio and oversees repayment of the outstanding revenue bonds.

As required by Assembly Bill X1 1, this report provides historical information with respect to cash receipts, disbursements, bonds outstanding, and cash balances for the quarter ending September 30, 2011. There are no unexpected trends, and cash balances at the end of this quarter met or exceeded amounts required by the Trust Indenture for the Power Supply Revenue Bonds. The report also compares CERS' 2011/2012 fiscal year appropriated costs to budget for the quarter ending September 30, 2012, and demonstrates that CERS' expenditures are within budget.

This report is available on the DWR website at: <http://www.cers.water.ca.gov>

California Energy Resources Scheduling

**A Division of
California Department of Water Resources**

**Activities and Expenditures Report
Quarter Ended September 30, 2011**

(Provides Data as Required by Section 80250 of the California Water Code)



Activities and Expenditures Report

For The Quarter Ended September 30, 2011

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Activities and Expenditures Report

Preface

Pursuant to the reporting requirement in Section 80250 of the California Water Code, the following information reflects energy acquisition activities and expenditures incurred by the California Energy Resources Scheduling Division (CERS) of the Department of Water Resources (DWR) for the quarter ended September 30, 2011. Included are all costs related to energy acquisition and administration.

CERS purchases power under the terms of its existing contracts, all of which were entered into prior to January 1, 2003. The scheduling, dispatch and certain other administrative functions for the existing contracts are managed by the investor owned utilities. CERS continues to have financial and legal responsibility for its contract portfolio and will oversee repayment of the revenue bonds.

The audited financial statements for the years ended June 30, 2011 and 2010, and the un-audited financial statements for the quarter ended September 30, 2011, prepared in accordance with generally accepted accounting principles, can be referenced at the following link: http://www.cers.water.ca.gov/financial_bonds.cfm

This report is available on the DWR website at www.cers.water.ca.gov.

Cash Balances

September 30, 2011

(in millions)

Power Accounts

Operating and Priority Contract Accounts	\$	870
Operating Reserve Account		288
Total Power Account Balances	\$	<u>1,158</u>

Bond Accounts

Bond Charge Collection Account		238
Bond Charge Payment Account		604
Debt Service Reserve Account	\$	919
Total Bond Account Balances	\$	<u>1,761</u>

Note: All cash balances met the requirements of the Bond Indenture at quarter end and for each day during the quarter.

Revenues from IOU Ratepayers

Quarter Ended September 30, 2011

(in millions)

	Pacific Gas & Electric	San Diego Gas & Electric	Southern California Edison	Total
<u>Power Charges</u>				
Quarter Ended September 30, 2011	\$ 77	\$ 23	\$ 205	\$ 305
<u>Bond Charges</u>				
Quarter Ended September 30, 2011	\$ 103	\$ 22	\$ 103	\$ 228

DWR Contract Expenditures for the Benefit of Ratepayers

Quarter Ended September 30, 2011 (in millions)

<u>Utility</u>	<u>Total Power Costs*</u>	<u>Total MWh</u>	<u>Total Gas Costs</u>	<u>Total MMBtu</u>
Pacific Gas & Electric	\$ 62	0.88	\$ 1	1.68
Southern California Edison	199	5.00	92	14.86
San Diego Gas & Electric	80	0.57	19	4.30
Total	\$ 340	6.45	\$ 113	\$ 20.84

*Contract expenditures do not include the net costs of prior period refunds and adjustments or settlement revenues.

Power Revenue Bonds

September 30, 2011

(in millions)

<u>Series</u>	<u>Initial Principal Amount</u>	<u>September 30, 2011 Outstanding Principal Amount</u>	<u>Interest Rate Mode</u>
Initial Issues			
Series 2002A	\$ 6,314	\$ 314	Fixed
Series 2002B	1,000		
Series 2002C	2,750		
Series 2002D	500		
Series 2002E (Taxable)	700		
Total	<u>\$ 11,264</u>		
Refunding Issues			
Series 2005F	\$ 759	\$ 348	Fixed
Series 2005G	1,835	173	Fixed
Series 2008H	1,007	1,007	Fixed
Series 2008I	150		
Series 2008J	130		
Series 2008K	279	279	Fixed
Series 2010L	2,919	2,919	Fixed
Series 2010M	1,684	1,684	
Series 2010N	960	960	Fixed
Total	<u>\$ 9,722</u>		
Total Bonds Outstanding		<u>\$ 7,684</u>	

Appropriated Costs

Fiscal Year Ending September 30, 2011

(in millions)

	Annual Budget for Fiscal Year Ended September 30, 2011	Pro rated Budget for Three months Ended September 30, 2011	Actual Expenditures through September 30, 2011
Salaries, Benefits and Distributed Administrative Costs	\$ 6.2	\$ 1.6	\$ 1.4
Consulting Companies and Personal Service Consultant	8.8	2.2	1.4
Other Operating Expenses and Equipment	3.5	0.9	0.4
Subtotal	18.5	4.6	3.3
Allocation of State Wide Pro-Rata Costs	9.9	2.5	2.5
TOTAL ADMINISTRATIVE COSTS	\$ 28.4	\$ 7.1	\$ 5.8